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SUBJECT: TRADE COMPLAINT: GOM SECRETARIAT OF NATIONAL PATRIMONY VS.
BELLANCA WEST INC. AND HUGHES HELICOPTERS

1. ON MARCH 19, LIC. GUSTAVO CORTES FUENTES, DIRECTOR GENERAL OF NATIONAL PATRIMONY SECRETARIAT'S DIRECTORATE GENERAL FOR INSPECTION OF ACQUISITIONS, REQUESTED EMBASSY'S FACILITATIVE SERVICES REGARDING PROBLEMS HIS MINISTRY HAS ENCOUNTERED IN PURCHASE OF HELICOPTERS FROM GOM EITHER THROUGH BELLANCA WEST, VAN NUYS AIRPORT, 6950 HAYVENHURST AVENUE, VAN NUYS, CALIF. 91406, TEL 213-989-3200, OR DIRECTLY FROM HUGHES TOOL COMPANY, AIRCRAFT DIVISION, CENTINELA AVENUE AND TEALE STREET, CULVER CITY, CALIF. 90230, TEL 213-391-0711. EMBASSY AGREED TO ASSIST LIC. CORTES, BECAUSE:

A) HIS DIRECTORATE GENERAL REGISTERS ALL FOREIGN COMPANIES OR REPRESENTATIVES WHICH DESIRE TO SUPPLY GOM; AND

B) HIS DIRECTORATE GENERAL IS RESPONSIBLE FOR COORDINATING GOM PROCUREMENT PROGRAM.

AT SAME TIME, WE RECOMMENDED HE MAKE APPROACH THROUGH GOM REPS IN U.S.

2. BRIEF BACKGROUND ON CASE FOLLOWS AS DRAWN FROM DISCUSSION AND DOCUMENTS SUBMITTED BY LIC.CORTES.

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A) IN 1972, AGRARIAN REFORM SECRETARIAT PURCHASED

HELICOPTERS DIRECTLY FROM HUGHES, THROUGH LIC. CORTES' OFFICE AT 6 PERCENT DISCOUNT UNDER LIST PRICE. ON 4 NOV 1975, LIC. CORTES' OFFICE AGAIN APPLIED TO HUGHES ON BEHALF OF AGRARIAN REFORM SECETARIAT, FOR PURCHASE OF 3 MODEL 500C HELICOPTERS PLUS SPARES, AGAIN ASKING A DISCOUNT FROM THE TOTAL PRICE OF \$472,950. HUGHES DENIED THE DISCOUNT.

B) AT THIS POINT, THE GOM PURCHASING COMMISSION (INCLUDING REPS FROM AGRARIAN REFORM AND LIC. CORTES' OFFICE) ASKED BOM-OWNED TRIPONG COMPANY,

EXMEX, AVE. RIO MIXOCOAC 38, MEXICO CITY, TO FIND ANOTHER SELLER. EXMEX APPROACHED BELLANCA WEST, INC., FROM WHOM IT HAD PREVIOUSLY PURCHASED PLANES FOR MEXICAN NAVY.

C) BELLANCA WEST OFFERED THE SAME HUGHES HELICOPTERS AT \$439,365, OR ROUGHLY 7 PERCENT DISCOUNT. GOM AGREED, AND THROUGH EXMEX, PAID THE PRICE IN ADVANCE. THE HELICOPTERS WERE TO BE DELIVERED TO GOM 25 JANUARY 1976.

E) BELLANCA THEN REQUESTED OF HUGHES THAT IT BE PERMITTED TO PAY 75 PERCENT OF THE PRICE ON DELIVERY AND 25 PERCENT AFTER 30 DAYS. ALTHOUGH REPORTEDLY HUGHES INITIALLY ACCEPTED BELLANCA'S PROPOSAL, IT LATER REVERSED ITSELF AND DEMANDED FULL PAYMENT ON DELIVERY.

F) AS A RESULT, BELLANCA SUED HUGHES FOR IMPUGNING ITS COMMERCIAL CREDIT, AND ALSO SUED EXMEX AND AGRARIAN REFORM FOR INTERFERENCE IN THE OPERATION. IT SEEMS AGRARIAN REFORM, EXMEX AND HUGHES BEGAN NEW DISCUSSION OF DIRECT PURCHASE FROM HUGHES WHEN BELLANCA/HUGHES IMBROGLIO LOOKED AS IF IT WOULD DELAY OR STOP DELIVERY. IN RETURN EXMEX IS SUING BELLANCA TO GET ITS MONEY BACK.
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G) AT THIS POINT, IT APPEARS UNLIKELY AGRARIAN REFORM WILL GET ITS HELICOPTERS, AND SO AGRARIAN REFORM IS DEMANDING ITS MONEY BACK FROM EXMEX - WHICH, OF COURSE, EXMEX DOES NOT HAVE, SINCE IT PAID BELLANCA IN ADVANCE.

3. BELLANCA'S LAWYER: CHARLES A. MOORE, 1777 NORTH VINE ST. SUITE 215, HOLLYWOOD, CALIF. 90028, TEL 213-463-5641

EXMEX'S LAWYERS: ROBERT W. SHAFFER, ARNOLD G. REGARDIE
GORDON, WEINBER AND GORDON
1901 AVENUE OF THE STARS
SUITE 800
LOS ANGELES, CALIF. 90067
TEL 213-277-8822

4. COMMENT: THE NATIONAL PATRIMONY SECRETARIAT CREATED THIS CENTRALIZED PROCUREMENT SYSTEM - INCLUDING EXMEX, IN AN ATTEMPT TO CENTRALIZE AND REGULARIZE GOM PROCUREMENT PROCEDURES. A NOT INIMPORTANT HOPEFUL ASIDE WAS TO DIMINISH THE NOTORIOUS MORDIDA. IF WE CAN SUPPORT LIC. CORTES IN ACHIEVING THESE GOALS, ALL FOREIGN SUPPLIERS WILL CERTAINLY BE THANKFUL. LIC. CORTES BELIEVES, HOWEVER, THAT FAILURE TO DELIVER THE HELICOPTERS WILL DISCREDIT EXMEX, AND BY ASSOCIATION, HIS CENTRALIZED PROCUREMENT PROGRAM SO THAT THE ENTIRE EDIFICE MAY TUMBLE. CONSIDERING THIS POINT AS WELL AS THE CENTRAL ROLE LIC. CORTES' OFFICE PLAYS IN THE GOM PROCUREMENT PROCESS, EMBASSY BELIEVES IT WELL WITHIN OUR INTEREST TO ASSIST HIM IN THIS CASE IN ANY WAY APPROPRIATE.

5. ACTION REQUESTED: EMBASSY WOULD APPRECIATE ANY INFORMATION WHICH USDOC MAY OBTAIN CONCERNING CURRENT AND PROSPECTIVE STATUS OF THIS CASE, AS WELL AS ANY APPROPRIATE FACILITATIVE SERVICE WHICH MAY RESOLVE THE PROBLEM.

6. COPIES OF DOCUEMENTS TO BE FORWARDED BY POUCH.
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